

CITY OF LONG BEACH, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

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CITY OF LONG BEACH, MISSISSIPPI

LISTING OF CITY OFFICIALS

September 30, 2015

CITY OFFICIALS

| | |
|-------------------|----------------------|
| Mayor | William Skellie, Jr. |
| Alderman at Large | Leonard G. Carruba |
| Alderman Ward #1 | Gary J. Ponthieux |
| Alderman Ward #2 | Bernie Parker |
| Alderman Ward #3 | Kelly Griffin |
| Alderman Ward #4 | Ronald Hammons |
| Alderman Ward #5 | Mark Lishen |
| Alderman Ward #6 | Alan Young |
| City Clerk | Rebecca E. Schruff |
| Comptroller | Kini Gonsoulin |



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

K. Jessica Mavromihalis, CPA
Jesse J. Wolfe, CPA (1927-2009)
Grover B. McDuff, CPA (Retired)
Jack A. Oppie, CPA (1960-2014)

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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Independent Auditor's Report

Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 9 - 17, 71 - 73, and 74 - 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's basic financial statements. The introductory section, and other supplementary information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other supplementary information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016, on our consideration of the City of Long Beach, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Long Beach, Mississippi's internal control over financial reporting and compliance.

Wolfe, McDuff + Oppie

Pascagoula, Mississippi

June 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

The discussion and analysis of the City of Long Beach, Mississippi's (the City's) financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the City's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the City's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- In 2015 and 2014, the City's net position amounted to \$87,375,578 and \$88,887,932, respectively. The net position for governmental activities totaled \$38,683,083 in 2015 and \$40,117,491 in 2014, contributing 44% and 45%, respectively, of total net position; business-type activities contributed 56% and 55%, totaling \$48,692,495 in 2015 and \$48,770,441 in 2014.
- General revenues for 2015 and 2014 were \$7,531,310 and \$7,697,047, equaling 46% and 40% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions were \$8,749,034 and \$11,590,850 for 2015 and 2014, equaling 54% and 60% of total revenues.
- In 2015 and 2014, the City had \$17,792,698 and \$29,418,078 in expenses, respectively; only \$8,749,034 and \$11,590,850 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$85,815,779 in 2015, and \$87,337,537 in 2014.

BASIC FINANCIAL FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operation in more detail than the government-wide statements.
- The governmental funds statements show how basic services were financed in the short-term as well as what remains for future spending.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

- Proprietary funds statements offer short-term and long-term financial information about the activities the City operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and deferred outflows of resources and liabilities and deferred inflows of resources.

The statement of net position presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the City that are principally supported by charges for services (governmental activities). The governmental activities of the City include general government operations, public safety, public works, culture and recreation, and debt service interest. The government-wide financial statements can be found in the Basic Financial Statements section of this report.

FUND FINANCIAL STATEMENTS

Fund financial statements show how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are comprised of both governmental and proprietary (enterprise) funds. Fund financial statements can be found in the Basic Financial Statements section of this report.

Fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and some by bond covenants. However, the Board of Aldermen may establish other funds to help it control and manage money for particular purposes. The City's three kinds of funds – governmental, proprietary, and fiduciary – use different accounting approaches.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City’s current financing requirements. Governmental funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can easily be converted to cash. The governmental funds statements provide a detailed short-term view of the City’s operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City’s current financing decisions. Reconciliations are provided on pages 25 and 27 which show the differences between the government-wide reporting basis and the fund reporting basis.

Proprietary Funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. These funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City’s proprietary funds include Water/Sewer Fund and Port and Harbor Fund.

Fiduciary Funds - The City is the trustee, or fiduciary, for assets that belong to others, such as the Tax Collector Clearing Fund. The City is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong.

Notes to the Financial Statements – The notes provide additional information that is essential to a user’s understanding of the basic financial statements. The notes to the financial statements can be found after the Basic Financial Statements section of this report.

Budgetary Statement – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s budget process. The City adopts an annual operating budget for all governmental funds. A Budgetary Comparison Statement has been provided for the General Fund. The budgetary statement demonstrates compliance with the budget ordinance and performance of services planned at budget adoption. The budgetary comparison statements uses the budgetary basis of accounting and are presented using the same format, language, and classifications as the legal budget document. The statements show four columns: the original budget as adopted by the Aldermen, the final budget as amended, the actual resources, charges to appropriations and ending balances, and the difference or variance between the final budget and the actuals. This required supplementary information can be found after the Notes to Basic Financial Statements section of this report.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|--------------------|---------------------------------|-------------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$ 7,233,808 | 6,999,302 | 8,230,490 | 8,497,097 | 15,464,298 | 15,496,399 |
| Capital assets | 43,204,819 | 44,563,528 | 42,610,960 | 42,774,009 | 85,815,779 | 87,337,537 |
| Total assets | <u>50,438,627</u> | <u>51,562,830</u> | <u>50,841,450</u> | <u>51,271,106</u> | <u>101,280,077</u> | <u>102,833,936</u> |
| Deferred outflow of resources | <u>1,301,654</u> | <u>291,181</u> | <u>61,562</u> | <u>13,771</u> | <u>1,363,216</u> | <u>304,952</u> |
| Long-term liabilities | 12,137,217 | 9,793,656 | 1,611,496 | 1,805,725 | 13,748,713 | 11,599,381 |
| Other liabilities | <u>642,481</u> | <u>766,823</u> | <u>585,897</u> | <u>653,090</u> | <u>1,228,378</u> | <u>1,419,913</u> |
| Total liabilities | <u>12,779,698</u> | <u>10,560,479</u> | <u>2,197,393</u> | <u>2,458,815</u> | <u>14,977,091</u> | <u>13,019,294</u> |
| Deferred inflow of resources | <u>277,500</u> | <u>1,176,041</u> | <u>13,124</u> | <u>55,621</u> | <u>290,624</u> | <u>1,231,662</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 41,688,439 | 42,882,883 | 41,492,050 | 41,351,991 | 83,180,489 | 84,234,874 |
| Restricted | 1,667,780 | 1,731,823 | 281,269 | 281,269 | 1,949,049 | 2,013,092 |
| Unrestricted | <u>(4,673,136)</u> | <u>(4,497,215)</u> | <u>6,919,176</u> | <u>7,137,181</u> | <u>2,246,040</u> | <u>2,639,966</u> |
| Total net position | <u>\$ 38,683,083</u> | <u>40,117,491</u> | <u>48,692,495</u> | <u>48,770,441</u> | <u>87,375,578</u> | <u>88,887,932</u> |

Net position – Net position may serve over time as a useful indicator of a governmental entity’s financial position. The City’s combined net position for the year totaled \$87,375,578.

The City’s restricted net position (e.g. revenue source, sales tax, water, sewer and garbage revenue, CDBG, ad valorem tax) accounted for 2% of total net position in 2015 and 2% in 2014. Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 95% and 95% in 2015 and 2014, respectively. The remaining balance consisted of unrestricted net position, the part of net position used to finance everyday operations without constraints of legal requirements.

The following are significant current year transactions that have had an impact on the Statement of Net Position:

- The City completed approximately \$1.3 million of construction-in-progress during the year.
- The City implemented GASB 68 which significantly reduced net position.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Changes in net position – The City’s total revenues for the fiscal years ended September 30, 2015 and 2014 were \$16,280,344 and \$19,287,897, respectively. The total cost of all programs and services was \$17,792,698 and \$29,418,078 for 2015 and 2014, respectively. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2015 and 2014.

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,389,612 | 2,147,759 | 6,230,882 | 6,603,851 | 7,620,494 | 8,751,610 |
| Operating grants and contributions | 453,321 | 92,810 | - | - | 453,321 | 92,810 |
| Capital grants and contributions | 675,219 | 1,605,972 | - | 1,140,458 | 675,219 | 2,746,430 |
| General revenues: | | | | | | |
| Property taxes | 4,754,197 | 5,028,037 | - | - | 4,754,197 | 5,028,037 |
| Franchise taxes | 703,641 | 736,658 | - | - | 703,641 | 736,658 |
| Sales tax | 1,372,989 | 1,370,598 | - | - | 1,372,989 | 1,370,598 |
| Other taxes | 387,528 | 289,444 | - | - | 387,528 | 289,444 |
| Other general revenues | <u>115,423</u> | <u>68,778</u> | <u>197,532</u> | <u>203,532</u> | <u>312,955</u> | <u>272,310</u> |
| Total revenues | <u>9,851,930</u> | <u>11,340,056</u> | <u>6,428,414</u> | <u>7,947,841</u> | <u>16,280,344</u> | <u>19,287,897</u> |
| Program expenses | | | | | | |
| General government | 4,303,033 | 15,064,789 | - | - | 4,303,033 | 15,064,789 |
| Public safety | 5,157,780 | 5,220,447 | - | - | 5,157,780 | 5,220,447 |
| Public works | 783,076 | - | - | - | 783,076 | - |
| Culture and recreation | 709,307 | 1,472,464 | - | - | 709,307 | 1,472,464 |
| Debt service - interest | 64,700 | 73,856 | - | - | 64,700 | 73,856 |
| Water, sewer and gas | - | - | 6,009,831 | 6,668,836 | 6,009,831 | 6,668,836 |
| Port and Harbor | - | - | 764,971 | 917,686 | 764,971 | 917,686 |
| Total expenses | <u>11,017,896</u> | <u>21,831,556</u> | <u>6,774,802</u> | <u>7,586,522</u> | <u>17,792,698</u> | <u>29,418,078</u> |
| Excess(deficiency) of revenues over (under) expenditures | <u>(1,165,966)</u> | <u>(10,491,500)</u> | <u>(346,388)</u> | <u>361,319</u> | <u>(1,512,354)</u> | <u>(10,130,181)</u> |
| Transfers in (out) | <u>(268,442)</u> | <u>(784,657)</u> | <u>268,442</u> | <u>784,657</u> | <u>-</u> | <u>-</u> |
| Change in net position | (1,434,408) | (11,276,157) | (77,946) | 1,145,976 | (1,512,354) | (10,130,181) |
| Beginning net position | <u>40,117,491</u> | <u>51,393,648</u> | <u>48,770,441</u> | <u>47,624,465</u> | <u>88,887,932</u> | <u>99,018,113</u> |
| Ending net position | <u>\$ 38,683,083</u> | <u>\$ 40,117,491</u> | <u>\$ 48,692,495</u> | <u>\$ 48,770,441</u> | <u>\$ 87,375,578</u> | <u>\$ 88,887,932</u> |

Governmental Activities - The City’s revenues from governmental activities totaled \$9,851,930 while total expenses were \$11,017,896. Significant occurrences which affected governmental activities are discussed below:

- Hurricane Katrina and Isaac recovery costs exceeded \$250,000 in 2015 while there was approximately \$1.5 million in 2014.
- Property tax experienced a decrease of \$274,110 and sales tax had only a small increase of \$2,391 from 2014 to 2015.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Business-type activities - The City's business-type activities generated a change in net position of \$(77,946). This represents a decrease of approximately \$1,223,922 from the previous year. The factors contributing to this increase include:

- Charges for services had an decrease of \$372,969 which can be partially attributed to a large back bill made in 2014.
- The Harbor fund also experienced an increase of approximately \$25,000 for charges for services due to an increase in slip rental.

The following table presents the cost of major City functional activities: general government, public safety, public works, culture and recreation, and debt service-interest. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

| | Governmental Activities | | | |
|-------------------------|--------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | 2015 | | 2014 | |
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General government | \$ 4,303,033 | 2,128,145 | 6,066,918 | 2,421,542 |
| Public safety | 5,157,780 | 4,814,516 | 5,220,447 | 5,019,282 |
| Public works | 783,076 | 783,076 | - | - |
| Culture and recreation | 709,307 | 709,307 | 1,472,464 | 1,472,464 |
| Debt service - interest | 64,700 | 64,700 | 73,856 | 73,856 |
| Total expenses | <u>\$ 11,017,896</u> | <u>8,499,744</u> | <u>12,833,685</u> | <u>8,987,144</u> |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing City's financing requirements.

As the City completed the year, its governmental funds reported a combined fund balance of \$6,622,667, compared to \$6,594,983 in the previous year. Activities within the general fund contributed 90% and 89% of the fund balances in 2015 and 2014, respectively. Other items that influenced the fund balances are as follows:

- The City had a decrease of approximately 13% in revenue from the prior year.
- The City had a decrease of approximately 47% in general government expenditures from the prior year.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

General Fund Budgetary Highlights - Over the course of the year, adjustments made in the budget were minor. The changes were due to the following: 1) amendments were made shortly after the beginning of the year, 2) the Board made changes in the middle of the year to prevent shortages from the addition or extension of service contracts, and 3) Aldermen approved several increases in appropriations to prevent budget overruns and to recognize receipt of funds not expected.

With these adjustments, the actual expenditures were \$9,345,520 compared to \$11,401,650 of the final budget. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided on pages 71 - 73 as required supplementary information.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$4,975,863 for the Water/Sewer Fund, \$1,943,313 for the Port and Harbor Fund. The Water/Sewer Fund showed an increase in fund balances whereas the Port and Harbor Fund showed a decrease. Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's net capital assets for 2015 and 2014 were \$85,815,779 and \$87,337,537, respectively. The City mainly invested in infrastructure improvements for the area. The following table presents a summary of the City's capital assets (net of depreciation) for the fiscal years ended September 30, 2015 and 2014.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| Land | \$ 6,414,122 | 6,414,122 | 387,425 | 387,425 | 6,801,547 | 6,801,547 |
| Construction in progress | 337,855 | 337,855 | 3,867,172 | 2,200,854 | 4,205,027 | 2,538,709 |
| Buildings | 17,457,038 | 17,836,531 | 21,705,646 | 21,724,228 | 39,162,684 | 39,560,759 |
| Improvements - other | 429,899 | 443,710 | - | - | 429,899 | 443,710 |
| Infrastructure | 17,074,856 | 17,768,352 | 16,480,828 | 18,250,344 | 33,555,684 | 36,018,696 |
| Equipment | 487,345 | 634,524 | 116,538 | 142,197 | 603,883 | 776,721 |
| Vehicles | <u>1,003,704</u> | <u>1,128,434</u> | <u>53,351</u> | <u>68,961</u> | <u>1,057,055</u> | <u>1,197,395</u> |
| Total | <u>\$ 43,204,819</u> | <u>44,563,528</u> | <u>42,610,960</u> | <u>42,774,009</u> | <u>85,815,779</u> | <u>87,337,537</u> |

This year's major projects as well as more detailed information about the City's capital assets are detailed at Note 3 D of the accompanying financial statements.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

Debt Administration - At September 30, 2015, the City had \$2,635,290 in general obligation bonds and other long-term debt outstanding, of which \$592,230 is due within one year. The following table presents a summary of the City's outstanding debt for the fiscal years ended September 30, 2015 and 2014.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|------------------|---------------------------------|------------------|------------------|------------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| General obligation bonds (backed by the City) | \$ 1,092,000 | 1,337,000 | - | - | 1,092,000 | 1,337,000 |
| Notes payable | - | - | 1,118,910 | 1,399,028 | 1,118,910 | 1,399,028 |
| Capital leases | <u>424,380</u> | <u>343,645</u> | <u>-</u> | <u>22,990</u> | <u>424,380</u> | <u>366,635</u> |
| Total | <u>\$ 1,516,380</u> | <u>1,680,645</u> | <u>1,118,910</u> | <u>1,422,018</u> | <u>2,635,290</u> | <u>3,102,663</u> |

The City continues to decrease debt according to established amortization schedules. More detailed information about the City's long-term liabilities is presented in Note 3 E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Long Beach, Mississippi has completed repairs from the storm damages of Hurricanes Katrina and Isaac. Our revenues remain flat with practically nonexistent growth. The City is trying to encourage businesses and individuals to come to Long Beach so that we may grow our tax base. The City will continue our prudent spending so that we can offer our citizens the best possible level of services.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2016

In the fiscal year 2015-2016 budget, General Fund revenues are budgeted at \$9,883,966, an increase of \$145,117 from the 2014-2015 budgeted revenues of \$9,774,916. That represents a 1.1% increase. The primary sources of revenue for the General Fund are property taxes and sales taxes, which amount to 53% and 14% respectively, of the revenue budgeted for the fiscal year 2016.

General Fund expenditures for the fiscal year 2015-2016 are budgeted at \$9,883,966, and increase of \$143,557 over the fiscal year 2014-2015 original budget of \$9,774,914. This is an increase of 1.2%. The major portion of the General Fund budget goes to Public Safety which represents 60.4% of the 2015-2016 budget.

The Water/Sewer Fund revenues are budgeted at \$6,051,735 for year 2015-2016, which is an increase of \$108,000 from the prior year. The majority of the revenues for this fund come from charges for services which make up almost 97% of the budget.

The Water/Sewer Fund expenses are budgeted at \$5,992,389 which is an increase of 5.9% increase from the prior year. The biggest expense in this fund is for the contract with our outsourced Public Works department. The contract expense is budgeted for \$1,509,202, or 25.2% of the total expenditure budget for 2015-2016.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2015

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Comptroller's Office at 201 Jeff Davis Avenue, Long Beach, Mississippi.

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI

STATEMENT OF NET POSITION

September 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 4,071,499 | 5,152,475 | 9,223,974 |
| Receivables, net | 1,069,736 | 1,085,951 | 2,155,687 |
| Due from other governments | 312,813 | 1,320,752 | 1,633,565 |
| Prepaid expenses | 165,326 | - | 165,326 |
| Other assets | - | 958 | 958 |
| Restricted cash and cash equivalents | 1,446,045 | 389,085 | 1,835,130 |
| Noncurrent assets: | | | |
| Certificates of deposit - restricted | 168,389 | 281,269 | 449,658 |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 6,751,977 | 4,254,597 | 11,006,574 |
| Other capital assets, net of depreciation | <u>36,452,842</u> | <u>38,356,363</u> | <u>74,809,205</u> |
| Total capital assets, net | <u>43,204,819</u> | <u>42,610,960</u> | <u>85,815,779</u> |
| Total assets | <u><u>50,438,627</u></u> | <u><u>50,841,450</u></u> | <u><u>101,280,077</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions | <u>1,301,654</u> | <u>61,562</u> | <u>1,363,216</u> |
| Total deferred outflows of resources | <u>1,301,654</u> | <u>61,562</u> | <u>1,363,216</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 616,734 | 195,013 | 811,747 |
| Due to other governments | - | 1,799 | 1,799 |
| Customer deposits | - | 389,085 | 389,085 |
| Unearned revenues | 25,747 | - | 25,747 |
| Long-term liabilities: | | | |
| Due within one year | | | |
| Bonds and notes payable | 254,000 | 281,297 | 535,297 |
| Capital lease payable | 56,933 | - | 56,933 |
| Compensated absences | 54,290 | 3,933 | 58,223 |
| Due in more than one year | | | |
| Bonds and notes payable | 838,000 | 837,613 | 1,675,613 |
| Capital lease payable | 367,447 | - | 367,447 |
| Compensated absences | 234,580 | - | 234,580 |
| Net pension liability | <u>10,331,967</u> | <u>488,653</u> | <u>10,820,620</u> |
| Total liabilities | <u>12,779,698</u> | <u>2,197,393</u> | <u>14,977,091</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions | <u>277,500</u> | <u>13,124</u> | <u>290,624</u> |
| Total deferred inflows of resources | <u>277,500</u> | <u>13,124</u> | <u>290,624</u> |
| NET POSITION | | | |
| Investment in capital assets (net of related debt) | 41,688,439 | 41,492,050 | 83,180,489 |
| Restricted for: | | | |
| Debt Service | 521,021 | - | 521,021 |
| Hurricane Katrina repairs | 1,009,570 | - | 1,009,570 |
| Unemployment compensation | 14,158 | - | 14,158 |
| Grants | 123,031 | - | 123,031 |
| Other purposes | - | 281,269 | 281,269 |
| Unrestricted net position | <u>(4,673,136)</u> | <u>6,919,176</u> | <u>2,246,040</u> |
| Total net position | <u><u>\$ 38,683,083</u></u> | <u><u>48,692,495</u></u> | <u><u>87,375,578</u></u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI

STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

| | Expenses | Program revenue | | | Net (expense) revenue and changes in net position | | |
|---|----------------------|---------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------|
| | | Charges for service | Operating Grants and Contributions | Capital Grants and Contributions | Governmental activities | Business-type activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 4,303,033 | 1,389,612 | 303,249 | 482,027 | (2,128,145) | - | (2,128,145) |
| Public safety | 5,157,780 | - | 150,072 | 193,192 | (4,814,516) | - | (4,814,516) |
| Public works | 783,076 | - | - | - | (783,076) | - | (783,076) |
| Culture and recreation | 709,307 | - | - | - | (709,307) | - | (709,307) |
| Debt service - interest | 64,700 | - | - | - | (64,700) | - | (64,700) |
| Total governmental activities | <u>11,017,896</u> | <u>1,389,612</u> | <u>453,321</u> | <u>675,219</u> | <u>(8,499,744)</u> | <u>-</u> | <u>(8,499,744)</u> |
| Business-type activities: | | | | | | | |
| Water, sewer and gas fund | 6,009,831 | 5,931,285 | - | - | - | (78,546) | (78,546) |
| Port and Harbor | 764,971 | 299,597 | - | - | - | (465,374) | (465,374) |
| Total business-type activities | <u>6,774,802</u> | <u>6,230,882</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(543,920)</u> | <u>(543,920)</u> |
| Total primary | <u>\$ 17,792,698</u> | <u>7,620,494</u> | <u>453,321</u> | <u>675,219</u> | <u>(8,499,744)</u> | <u>(543,920)</u> | <u>(9,043,664)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 4,754,197 | - | 4,754,197 |
| Franchise taxes | | | | | 703,641 | - | 703,641 |
| Sales tax | | | | | 1,372,989 | - | 1,372,989 |
| Other taxes | | | | | 387,528 | - | 387,528 |
| Unrestricted investment earnings | | | | | 10,124 | 11 | 10,135 |
| Insurance proceeds | | | | | 11,967 | 4,343 | 16,310 |
| Gain (loss) on the sale of capital assets | | | | | 49,026 | - | 49,026 |
| Miscellaneous | | | | | 44,306 | 193,178 | 237,484 |
| Total general revenues | | | | | <u>7,333,778</u> | <u>197,532</u> | <u>7,531,310</u> |
| Change in net position before transfers | | | | | (1,165,966) | (346,388) | (1,512,354) |
| Transfers in (out) | | | | | (268,442) | 268,442 | - |
| CHANGES IN NET POSITION | | | | | (1,434,408) | (77,946) | (1,512,354) |
| Net position - beginning | | | | | <u>49,115,362</u> | <u>49,195,998</u> | <u>98,311,360</u> |
| Prior period adjustments, Note 4H | | | | | <u>(8,997,871)</u> | <u>(425,557)</u> | <u>(9,423,428)</u> |
| Net position - ending | | | | | <u>\$ 38,683,083</u> | <u>48,692,495</u> | <u>87,375,578</u> |

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------|---------------------|---|---|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,563,466 | 508,033 | 4,071,499 |
| Receivables, net | 1,069,736 | - | 1,069,736 |
| Due from other funds | - | 9,422 | 9,422 |
| Due from other governments | 309,247 | 3,566 | 312,813 |
| Prepaid expenses | 165,326 | - | 165,326 |
| Restricted assets: | | | |
| Cash and cash equivalents | 1,446,045 | - | 1,446,045 |
| Certificates of deposit | - | 168,389 | 168,389 |
| Total assets | 6,553,820 | 689,410 | 7,243,230 |
| LIABILITIES | | | |
| Liabilities: | | | |
| Accounts payable | 549,273 | - | 549,273 |
| Other accrued liabilities | 22,603 | - | 22,603 |
| Unearned revenue | 39,265 | - | 39,265 |
| Due to other funds | 9,422 | - | 9,422 |
| Total liabilities | 620,563 | - | 620,563 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid expenses | 165,326 | - | 165,326 |
| Restricted for: | | | |
| Debt service | - | 521,021 | 521,021 |
| Hurricane Katrina repairs | 1,009,570 | - | 1,009,570 |
| Unemployment compensation | 14,158 | - | 14,158 |
| Other purposes | 123,031 | - | 123,031 |
| Committed for: | | | |
| Capital outlay | - | 168,389 | 168,389 |
| Assigned for: | | | |
| Hurricane recovery | 299,286 | - | 299,286 |
| Unassigned | 4,321,886 | - | 4,321,886 |
| Total fund balances | 5,933,257 | 689,410 | 6,622,667 |
| Total liabilities and fund balances | \$ 6,553,820 | 689,410 | 7,243,230 |

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2015

Total governmental funds balance **\$ 6,622,667**

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

| | | |
|--------------------------------|---------------------|------------|
| Governmental capital assets | 61,539,842 | |
| less: accumulated depreciation | <u>(18,335,023)</u> | 43,204,819 |

Certain other assets (such as accounts receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. Such amounts are reported as unearned revenue. 13,518

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

| | | |
|--|------------------|-----------|
| Deferred outflows of resources related to pensions | 1,301,654 | |
| Deferred inflows of resources related to pensions | <u>(277,500)</u> | 1,024,154 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

| | | |
|--------------------------|-----------------|---------------------|
| Accrued interest payable | (22,925) | |
| Bonds and notes payable | (1,092,000) | |
| Capital lease payable | (424,380) | |
| Compensated absences | (288,870) | |
| Net pension liability | (10,331,967) | |
| Other accrued expenses | <u>(21,933)</u> | <u>(12,182,075)</u> |

Net position of governmental activities **\$ 38,683,083**

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---|---|
| REVENUES | | | |
| Property taxes | \$ 4,497,647 | 256,550 | 4,754,197 |
| Sales taxes | 1,372,989 | - | 1,372,989 |
| Franchise fees | 703,641 | - | 703,641 |
| Fees and fines | 1,039,668 | - | 1,039,668 |
| Intergovernmental | 387,528 | - | 387,528 |
| Charges for services | 349,944 | - | 349,944 |
| Investment earnings | 9,802 | 322 | 10,124 |
| Grants | 1,128,540 | - | 1,128,540 |
| Miscellaneous | 44,306 | - | 44,306 |
| Total revenues | <u>9,534,065</u> | <u>256,872</u> | <u>9,790,937</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 2,401,937 | - | 2,401,937 |
| Public safety | 5,157,780 | - | 5,157,780 |
| Public works | 783,076 | - | 783,076 |
| Culture and recreation | 709,307 | - | 709,307 |
| Debt service: | | | |
| Principal payments | - | 279,075 | 279,075 |
| Interest and fiscal charges | - | 64,700 | 64,700 |
| Capital outlay | 290,131 | - | 290,131 |
| Total expenditures | <u>9,342,231</u> | <u>343,775</u> | <u>9,686,006</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>191,834</u> | <u>(86,903)</u> | <u>104,931</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Capital lease financing | 114,810 | - | 114,810 |
| Proceeds from sale of capital assets | 64,418 | - | 64,418 |
| Insurance recoveries | 11,967 | - | 11,967 |
| Transfers in (out) | <u>(312,208)</u> | <u>43,766</u> | <u>(268,442)</u> |
| Total other financing sources (uses) | <u>(121,013)</u> | <u>43,766</u> | <u>(77,247)</u> |
| Net changes in fund balances | 70,821 | (43,137) | 27,684 |
| Fund balance - beginning of year | <u>5,862,436</u> | <u>732,547</u> | <u>6,594,983</u> |
| Fund balance - end of year | <u>\$ 5,933,257</u> | <u>689,410</u> | <u>6,622,667</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds **\$ 27,684**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|-------------|-------------|
| Capital outlay | 185,388 | |
| Depreciation expense | (1,528,705) | |
| Excess of capital outlay over depreciation expense | | (1,343,317) |

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue. However, the statement of activities reports only the gain or loss on the sale. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (15,392)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 279,075

The proceeds of new debt is reported as revenue in the governmental funds, but as a long-term liability in the statement of net assets. (114,810)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (43,925)

Governmental funds report pension contributions as expenditures. However, the Statement of Activities reports pension expense and other activity related to pension liability:

| | | |
|--|-----------|-----------|
| Pension contributions | 666,727 | |
| Cost of benefits earned net of employee contributions (pension expense from the pension schedule) | (976,668) | (309,941) |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds:

| | | |
|------------------------------|----------|--------|
| Accrued compensated absences | (13,855) | |
| Other expenses | 100,073 | 86,218 |

Changes in net position of governmental activities **\$ (1,434,408)**

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2015

| | Enterprise Funds | | |
|---|-----------------------------|-----------------------------|-------------------------------|
| | Major Funds | | Total Enterprise Funds |
| | Water and Sewer Fund | Port and Harbor Fund | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,571,512 | 1,580,963 | 5,152,475 |
| Accounts receivable, net | 1,078,916 | 7,035 | 1,085,951 |
| Due from other governments | 600,805 | 719,947 | 1,320,752 |
| Other assets | - | 958 | 958 |
| Restricted cash and cash equivalents | <u>389,085</u> | <u>-</u> | <u>389,085</u> |
| Total current assets | <u>5,640,318</u> | <u>2,308,903</u> | <u>7,949,221</u> |
| Noncurrent assets: | | | |
| Certificates of deposit | 281,269 | - | 281,269 |
| Capital assets: | | | |
| Land and construction in progress | 137,425 | 4,117,172 | 4,254,597 |
| Other capital assets, net of accumulated depreciation | <u>34,086,048</u> | <u>4,270,315</u> | <u>38,356,363</u> |
| Total noncurrent assets | <u>34,504,742</u> | <u>8,387,487</u> | <u>42,892,229</u> |
| Total assets | <u><u>40,145,060</u></u> | <u><u>10,696,390</u></u> | <u><u>50,841,450</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources related to pensions | <u>20,100</u> | <u>41,462</u> | <u>61,562</u> |
| Total deferred outflows of resources | <u>20,100</u> | <u>41,462</u> | <u>61,562</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 130,560 | 64,453 | 195,013 |
| Due to other governments | 670 | 1,129 | 1,799 |
| Customer deposits | 389,085 | - | 389,085 |
| Bonds and notes payable | 281,297 | - | 281,297 |
| Compensated absences | <u>402</u> | <u>3,531</u> | <u>3,933</u> |
| Total current liabilities | <u>802,014</u> | <u>69,113</u> | <u>871,127</u> |
| Noncurrent liabilities: | | | |
| Bonds and notes payable | 837,613 | - | 837,613 |
| Net pension liability | <u>159,553</u> | <u>329,100</u> | <u>488,653</u> |
| Total noncurrent liabilities: | <u>997,166</u> | <u>329,100</u> | <u>1,326,266</u> |
| Total liabilities | <u>1,799,180</u> | <u>398,213</u> | <u>2,197,393</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources related to pensions | <u>4,285</u> | <u>8,839</u> | <u>13,124</u> |
| Total deferred inflows of resources | <u>4,285</u> | <u>8,839</u> | <u>13,124</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 33,104,563 | 8,387,487 | 41,492,050 |
| Restricted for: | | | |
| Other purposes | 281,269 | - | 281,269 |
| Unrestricted | <u>4,975,863</u> | <u>1,943,313</u> | <u>6,919,176</u> |
| Total net position | <u><u>\$ 38,361,695</u></u> | <u><u>10,330,800</u></u> | <u><u>48,692,495</u></u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
 PROPRIETARY FUNDS

For the Year Ended September 30, 2015

| | Enterprise Funds | | |
|---|---------------------------------|---------------------------------|---------------------------------------|
| | Major Funds | | Total Enterprise Funds |
| | Water and Sewer Fund | Port and Harbor Fund | |
| OPERATING REVENUES | | | |
| Charges for services | \$ 5,931,285 | 299,597 | 6,230,882 |
| Miscellaneous | <u>173,977</u> | <u>19,201</u> | <u>193,178</u> |
| Total operating revenues | <u>6,105,262</u> | <u>318,798</u> | <u>6,424,060</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 90,144 | 205,881 | 296,025 |
| Administrative expenses | 250,000 | 30,368 | 280,368 |
| Contractual fees | 1,636,301 | 112,531 | 1,748,832 |
| Wastewater treatment | 862,389 | - | 862,389 |
| Wastewater debt | 671,976 | - | 671,976 |
| Waste disposal | 593,292 | - | 593,292 |
| Utilities | 213,155 | 39,691 | 252,846 |
| Supplies | 145,306 | 198,956 | 344,262 |
| Depreciation | 1,359,417 | 148,419 | 1,507,836 |
| Other services and charges | <u>138,429</u> | <u>29,125</u> | <u>167,554</u> |
| Total operating expenses | <u>5,960,409</u> | <u>764,971</u> | <u>6,725,380</u> |
| Operating income (loss) | <u>144,853</u> | <u>(446,173)</u> | <u>(301,320)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Insurance proceeds | - | 4,343 | 4,343 |
| Interest earnings | 11 | - | 11 |
| Interest expense | (49,422) | - | (49,422) |
| Transfers in (out) | <u>-</u> | <u>268,442</u> | <u>268,442</u> |
| Total nonoperating revenues | <u>(49,411)</u> | <u>272,785</u> | <u>223,374</u> |
| Change in net position | 95,442 | (173,388) | (77,946) |
| Total net position - beginning of year | <u>38,405,204</u> | <u>10,790,794</u> | <u>49,195,998</u> |
| Prior period adjustments, Note 4H | <u>(138,951)</u> | <u>(286,606)</u> | <u>(425,557)</u> |
| Total net position - end of year | <u>\$ 38,361,695</u> | <u>10,330,800</u> | <u>48,692,495</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2015

| | Enterprise Funds | | |
|--|-----------------------------|-----------------------------|-------------------------------|
| | Major Funds | | Total Enterprise Funds |
| | Water and Sewer Fund | Port and Harbor Fund | |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 5,925,800 | 300,263 | 6,226,063 |
| Payments for goods and services | (5,174,181) | (501,837) | (5,676,018) |
| Payments to employees for services | (85,357) | (196,010) | (281,367) |
| Other receipts (payments) | <u>173,977</u> | <u>19,201</u> | <u>193,178</u> |
| Net cash provided (used) by operating activities | <u>840,239</u> | <u>(378,383)</u> | <u>461,856</u> |
| Cash flows from NonCapital financing activities: | | | |
| Insurance proceeds | - | 4,343 | 4,343 |
| Proceeds from grants and contributions in aid | 412,321 | 839,837 | 1,252,158 |
| Transfers to / from other funds | <u>-</u> | <u>268,442</u> | <u>268,442</u> |
| Net cash provided in noncapital financing activities | <u>412,321</u> | <u>1,112,622</u> | <u>1,524,943</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchase and construction of capital assets | (11,989) | (1,332,798) | (1,344,787) |
| Principal paid on capital debt | (303,108) | - | (303,108) |
| Interest paid on capital debt | <u>(49,422)</u> | <u>-</u> | <u>(49,422)</u> |
| Net cash (used) in capital and related financing activities | <u>(364,519)</u> | <u>(1,332,798)</u> | <u>(1,697,317)</u> |
| Cash flows from investing activities: | | | |
| Restricted customer deposits | 13,375 | - | 13,375 |
| Interest received | <u>11</u> | <u>-</u> | <u>11</u> |
| Net cash provided by investing activities | <u>13,386</u> | <u>-</u> | <u>13,386</u> |
| Net increase (decrease) in cash and cash equivalents | 901,427 | (598,559) | 302,868 |
| Cash and cash equivalents: | | | |
| Beginning of the year | <u>3,059,170</u> | <u>2,179,522</u> | <u>5,238,692</u> |
| End of the year | <u>\$ 3,960,597</u> | <u>1,580,963</u> | <u>5,541,560</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2015

| | <u>Enterprise Funds</u> | | |
|--|-----------------------------|-----------------------------|-------------------------------|
| | <u>Major Funds</u> | | <u>Total Enterprise Funds</u> |
| | <u>Water and Sewer Fund</u> | <u>Port and Harbor Fund</u> | |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ 144,853 | (446,173) | (301,320) |
| Adjustments to reconcile operating income (loss) to net cash | | | |
| Depreciation expense | 1,359,417 | 148,419 | 1,507,836 |
| (Increase) decrease in current assets: | | | |
| Accounts receivable | (5,485) | 666 | (4,819) |
| Increase (decrease) in current liabilities: | | | |
| Accounts payable | 92,380 | (91,166) | 1,214 |
| Due to other governments | (755,713) | - | (755,713) |
| Other liabilities | 4,787 | 9,871 | 14,658 |
| Net cash provided (used) by operating activities | <u>\$ 840,239</u> | <u>(378,383)</u> | <u>461,856</u> |

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION - FIDUCIARY FUND
September 30, 2015

| | <u>Tax Collector Clearing Fund</u> |
|---------------------------|---|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 233,997 |
| Property tax receivable | <u>98,105</u> |
| Total assets | <u><u>332,102</u></u> |
| LIABILITIES | |
| Due to other governments | <u>332,102</u> |
| Total liabilities | <u><u>\$ 332,102</u></u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Long Beach, Mississippi's (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City with the option of electing to apply FASB pronouncements issued after that date. The City has chosen not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The City was incorporated on August 10, 1905. The City operates under a Mayor-Board form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and water and sewer system.

These financial statements present the City (the primary government) only. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Long Beach, Mississippi has no component units.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They included all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to function in the statement of activities. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows or resources and its liabilities and deferred inflows of resources as fund balance.

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Fiduciary funds are those used to account for funds held by the City in trust for others that cannot be used to support the City's programs.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major funds:

Major Governmental Funds

- General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Enterprise Funds

- Water and Sewer fund accounts for operations of the City's water, sewer, gas, and garbage system.
- Port and Harbor fund accounts for operations of the harbor operated by the City.

Non-Major Governmental Funds

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects) as follows:
 - Forestry Commission Grant Fund
 - Contribution Agreement Fund
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund, the Municipal Debt Service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). There are currently no capital projects funds.

Fiduciary Funds

- The Tax Collector Clearing fund is used to account for assets held by the City in a trustee capacity or as an agent for other governmental units.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

Receivables

All trade receivables are reported net of an allowance for uncollectible amounts, where applicable. Unbilled charges are accrued as receivables and revenue at September 30, 2015.

Allowance for Uncollectible Amounts

An allowance for uncollectible amounts relates to the estimated uncollectible balance of the revenues earned or accrued that have been included in accounts receivable at year end. An allowance is recorded on receivable balances based on historical bad debt experience related to the nature of each receivable balance.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2015, are recorded as prepaid items using the consumption method by recording assets for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-------------------------|-------------|
| Buildings | 20-50 years |
| Water and sewer system | 30-35 years |
| Machinery and equipment | 3-15 years |
| Improvements | 20 years |
| Other infrastructures | 10-50 years |
| Vehicles | 5 years |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

All compensated absences liabilities include salary-related payments, where applicable.

The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The City's policy allows employees to accumulate unused sick leave on an unlimited basis; however, vacation leave must be used before the employee's next anniversary unless they have prior approval from their department head. Upon termination, any accumulated vacation will be paid to the employee. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums, Discounts and Issuance Costs

On the governmental-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts, are deferred and amortized over the life of the debt using the straight-line method that approximates the effective interest method. Debt issuance costs are expenses as incurred.

At the governmental fund reporting level, debt fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the City's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

Additionally, the City has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen as approved in the board minutes.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Assigned - Includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent can be expressed by the City's Board of Aldermen or by an official or body to which the City's Board of Aldermen delegates the authority. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The City does not have a minimum fund balance policy.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in the proprietary funds. Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassifications

Where presented, certain 2014 financial statement amounts may have been reclassified to conform to the 2015 presentation.

New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the City has reviewed for application to their accounting and reporting.

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*, are effective for the periods beginning after June 15, 2014. The requirements of these Statements will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. The City has implemented these reporting requirements for the year ended September 30, 2015.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

| | |
|---------------------------|---------------------------|
| <u>Fund:</u> _____ | <u>Required By:</u> _____ |
| Gas, Water and Sewer Fund | Trust Indenture |

B. Deposits and Investments Laws and Regulations

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

At year-end, the carrying amount of the City's deposits was \$11,058,066, and the respective bank balances totaled \$11,380,830.

The City's deposits were fully insured or collateralized as required by statute at September 30, 2015.

State statutes authorize the City to invest in (1) direct obligations of the United States government, the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. Investments are recorded at cost, which approximates fair value.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

| <u>Revenue Source:</u> | <u>Legal Restrictions in Use:</u> |
|--|-------------------------------------|
| Gasoline Excise & Commercial Vehicle Tax | Street and Road purposes |
| Water, Sewer and Gas Revenue | Debt Service and Utility Operations |
| Grant Program Expenditures | Grant agreements |
| Ad Valorem Tax | Debt Service |

For the year ended September 30, 2015, the City complied, in all material respects, with these revenue restrictions.

D. Debt Restrictions and Covenants

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

The City's policies regarding deposits of cash are discussed in Note 1 D. The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with Mississippi statutes. The approved city depositories for the 2014-2015 calendar years are The First, Hancock Bank, and Peoples Bank.

Deposits at September 30, 2015, (including restricted deposits) are as follows:

| | <u>Bank Balances</u> | <u>Total Carrying Value</u> |
|--|-----------------------------|------------------------------------|
| Pooled deposits: | | |
| Cash and cash equivalents | \$ 10,371,022 | 10,048,496 |
| Non-pooled deposits: | | |
| Cash and cash equivalents: | | |
| General fund | 1,009,808 | 1,009,570 |
| Petty cash | - | 1,038 |
| | \$ 11,380,830 | 11,059,104 |
| Reconciliation to government-wide statement of net assets: | | |
| Restricted cash | | \$ 1,835,130 |
| Unrestricted cash | | 9,223,974 |
| | | \$ 11,059,104 |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The City's policies regarding legal requirements of deposits are discussed in Note 2 B.

At September 30, 2015, the City held the following certificates of deposit with maturity dates of longer than three months:

| | Balance October 1, 2014 | Purchases | Maturities | Balance September 30, 2015 |
|---|--|------------------|-------------------|---|
| Governmental activities: | | | | |
| Hancock Bank, 0.15% interest, matures September 26, 2017 | \$ 55,599 | 55,599 | 55,599 | 55,599 |
| Hancock Bank, 0.15% interest, matures October 7, 2016 | <u>112,790</u> | <u>112,790</u> | <u>112,790</u> | <u>112,790</u> |
| Total governmental activities | <u>168,389</u> | <u>168,389</u> | <u>168,389</u> | <u>168,389</u> |
| Business-type activities: | | | | |
| The First Bank, 0.30% interest, matures January 27, 2016 | <u>281,269</u> | <u>281,269</u> | <u>281,269</u> | <u>281,269</u> |
| Total business-type activities | <u>281,269</u> | <u>281,269</u> | <u>281,269</u> | <u>281,269</u> |
| Total | <u>\$ 449,658</u> | <u>449,658</u> | <u>449,658</u> | <u>449,658</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Restricted Cash and Investments

The amounts reported as restricted assets are cash and accrued interest held by the trustee bank on behalf of the various public trusts (authorities) related to condominium escrow and amounts held in trust for customer utility meter deposits.

The restricted assets as of September 30, 2015, are as follows:

| Restricted Assets | Cash Including Time Deposits |
|--|---|
| Governmental activities: | |
| Cash and cash equivalents | |
| Drug seizures | \$ 30,352 |
| Fire rebate | 52,609 |
| Hurricane Katrina repairs | 1,009,570 |
| Hurricane recovery | 299,286 |
| Grants | 2,749 |
| State seizures | 37,321 |
| Unemployment compensation | 14,158 |
| Certificates of deposit | |
| Capital assets purchases | 168,389 |
| Total restricted assets - governmental activities | <u>\$ 1,614,434</u> |
| Business-type activities: | |
| Cash and cash equivalents | |
| Customer deposits | \$ 1,085,951 |
| Certificates of deposit | |
| Condominium escrow | 281,269 |
| Total restricted assets - business-type activities | <u>\$ 1,367,220</u> |

From January 2006 through September 30, 2015, Mittal Steel USA has donated a total of \$1,750,000 in financial support to assist the City in its efforts to restore and rebuild the City's public buildings and infrastructure damaged or destroyed by Hurricane Katrina. The funds are held in an escrow account and are disbursed as costs are incurred.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, since the City only invests in certificates of deposit with maturities of one year or less from qualified depositories, the City does not believe it is exposed to interest rate risk.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Credit Risk - Investments

Credit risk is generally the risk that issuers of an investment will not fulfill its obligation to the holder of the investment. The City has no investment policy that would limit its investment choices due to credit risk. However, Mississippi State Code limits investment of surplus funds to certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. The City invests its surplus funds in certificates of deposit and does not believe that it is exposed to credit risk.

C. Accounts Receivable

Accounts receivable at September 30, 2015, consisted of the following:

| | Accounts Receivable | Allowance for Uncollectible Accounts | Net Accounts Receivable |
|--------------------------------------|--------------------------------|---|------------------------------------|
| Governmental activities: | | | |
| Franchise taxes | \$ 228,454 | - | 228,454 |
| Police court fines | 7,880,599 | 7,065,379 | 815,220 |
| Other | 26,062 | - | 26,062 |
| | 8,135,115 | 7,065,379 | 1,069,736 |
| Business-type activities: | | | |
| Water, sewer and gas services | 1,851,764 | 772,848 | 1,078,916 |
| Port and harbor activities | 118,589 | 111,554 | 7,035 |
| Total business-type activities | 1,970,353 | 884,402 | 1,085,951 |
| Total government-wide activities | \$ 10,105,468 | 7,949,781 | 2,155,687 |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

| | Primary Government | | | |
|---|------------------------------|--------------------|--------------------|---------------------|
| | Beginning Balance | Increases | Decreases | |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 6,414,122 | - | - | 6,414,122 |
| Construction in progress | 337,855 | - | - | 337,855 |
| Total capital assets not being depreciated | <u>6,751,977</u> | <u>-</u> | <u>-</u> | <u>6,751,977</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 19,063,335 | - | - | 19,063,335 |
| Improvements - other | 570,189 | - | - | 570,189 |
| Infrastructure | 29,554,476 | - | - | 29,554,476 |
| Equipment | 2,522,392 | 127,282 | (48,679) | 2,600,995 |
| Vehicles | 3,108,755 | 58,106 | (167,991) | 2,998,870 |
| Total capital assets being depreciated | <u>54,819,147</u> | <u>185,388</u> | <u>(216,670)</u> | <u>54,787,865</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (1,226,804) | (379,493) | - | (1,606,297) |
| Improvements - other | (126,479) | (13,811) | - | (140,290) |
| Infrastructure | (11,786,124) | (693,496) | - | (12,479,620) |
| Equipment | (1,887,868) | (274,461) | 48,679 | (2,113,650) |
| Vehicles | (1,980,321) | (167,444) | 152,599 | (1,995,166) |
| Total accumulated depreciation | <u>(17,007,596)</u> | <u>(1,528,705)</u> | <u>201,278</u> | <u>(18,335,023)</u> |
| Total capital assets being depreciated, net | <u>37,811,551</u> | <u>(1,343,317)</u> | <u>(15,392)</u> | <u>36,452,842</u> |
| Total governmental activities capital assets, net | <u>\$ 44,563,528</u> | <u>(1,343,317)</u> | <u>(15,392)</u> | <u>43,204,819</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 387,425 | - | - | 387,425 |
| Construction in progress | 2,200,854 | 2,442,030 | (775,712) | 3,867,172 |
| Total capital assets not being depreciated | <u>2,588,279</u> | <u>2,442,030</u> | <u>(775,712)</u> | <u>4,254,597</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 21,784,909 | - | - | 21,784,909 |
| Harbor Infrastructure and improvements - other | 5,584,785 | 793,296 | (1,129,169) | 5,248,912 |
| Water/Sewer Infrastructure and improvements -other | 26,943,237 | - | - | 26,943,237 |
| Equipment | 402,670 | 11,989 | - | 414,659 |
| Vehicles | 156,806 | - | - | 156,806 |
| Total capital assets being depreciated | <u>54,872,407</u> | <u>805,285</u> | <u>(1,129,169)</u> | <u>54,548,523</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (60,681) | (18,582) | - | (79,263) |
| Harbor Infrastructure and improvements - other | (841,350) | (144,121) | 2,501 | (982,970) |
| Water/sewer Infrastructure and improvements - other | (13,436,328) | (1,301,167) | 9,144 | (14,728,351) |
| Equipment | (260,473) | (37,648) | - | (298,121) |
| Vehicles | (87,845) | (15,610) | - | (103,455) |
| Total accumulated depreciation | <u>(14,686,677)</u> | <u>(1,517,128)</u> | <u>11,645</u> | <u>(16,192,160)</u> |
| Total capital assets being depreciated, net | <u>40,185,730</u> | <u>(711,843)</u> | <u>(1,117,524)</u> | <u>38,356,363</u> |
| Total business-type activities capital assets, net | <u>\$ 42,774,009</u> | <u>1,730,187</u> | <u>(1,893,236)</u> | <u>42,610,960</u> |
| Primary Government | | | | |
| Total capital assets, net | <u>\$ 87,337,537</u> | <u>386,870</u> | <u>(1,908,628)</u> | <u>85,815,779</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A summary of construction-in-progress transactions for the year ended September 30, 2015, follows:

| | Expended through September 30, 2015 | Remaining Commitment |
|--|--|---------------------------------|
| | <u> </u> | <u> </u> |
| Primary Government | | |
| Governmental Activities: | | |
| Commission Road - Safe Routes to School | \$ 337,855 | 2,802 |
| Business-type Activities: | | |
| Harbor Expansion (CIAP) | 1,745,588 | 272,674 |
| Bulkhead Improvement (BIG) | 1,250,281 | 2,595 |
| Harbor Parking Lot & Sidewalks | 425,936 | 122,233 |
| Harbor Ramps & Pump Out Station | 238,111 | 3,560 |
| Rip Rap, Channel Markers, Dredging | 113,688 | 105,835 |
| Harbor Fishing Piers | <u>93,568</u> | <u>4,280</u> |
| Total primary government construction in process | <u>\$ 4,205,027</u> | <u>513,979</u> |

Depreciation expense was charged to programs for the year ended September 30, 2015 as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ <u>1,528,705</u> |
| Business-type activities: | |
| Water, sewer and gas fund | \$ 1,359,417 |
| Port and Harbor fund | <u>148,419</u> |
| Total business-type activities depreciation expense | <u>\$ 1,507,836</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

E. Long-Term Liabilities

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2015, is shown below:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental activities: | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation debt | \$ 1,337,000 | - | 245,000 | 1,092,000 | 254,000 |
| Capital leases | <u>343,645</u> | <u>114,810</u> | <u>34,075</u> | <u>424,380</u> | <u>56,933</u> |
| Total bonds and notes payable | <u>1,680,645</u> | <u>114,810</u> | <u>279,075</u> | <u>1,516,380</u> | <u>310,933</u> |
| Other liabilities: | | | | | |
| Compensated absences | 275,015 | 13,855 | - | 288,870 | 54,290 |
| Net Pension Liability | <u>8,997,871</u> | <u>1,334,096</u> | <u>-</u> | <u>10,331,967</u> | <u>-</u> |
| Total other liabilities | <u>9,272,886</u> | <u>1,347,951</u> | <u>-</u> | <u>10,620,837</u> | <u>54,290</u> |
| Total governmental activities long-term liabilities | <u>\$ 10,953,531</u> | <u>1,462,761</u> | <u>279,075</u> | <u>12,137,217</u> | <u>365,223</u> |
| Business-type activities: | | | | | |
| Bonds and notes payable: | | | | | |
| Notes payable | \$ 1,399,028 | - | 280,118 | 1,118,910 | 281,297 |
| Capital leases | <u>22,990</u> | <u>-</u> | <u>22,990</u> | <u>-</u> | <u>-</u> |
| Total bonds and notes payable | <u>1,422,018</u> | <u>-</u> | <u>303,108</u> | <u>1,118,910</u> | <u>281,297</u> |
| Other liabilities: | | | | | |
| Compensated absences | 3,933 | - | - | 3,933 | 3,933 |
| Net Pension Liability | <u>425,557</u> | <u>63,096</u> | <u>-</u> | <u>488,653</u> | <u>-</u> |
| Total other liabilities | <u>429,490</u> | <u>63,096</u> | <u>-</u> | <u>492,586</u> | <u>3,933</u> |
| Total business-type activities long-term liabilities | <u>\$ 1,851,508</u> | <u>63,096</u> | <u>303,108</u> | <u>1,611,496</u> | <u>285,230</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Bonds Payable

At September 30, 2015, the City's outstanding bonds payable are described as follows:

| | <u>Date of Issue</u> | <u>Final Maturity Date</u> | <u>Rates</u> | <u>Original Issue</u> | <u>Balance September 30, 2015</u> |
|----------------------------------|--------------------------|------------------------------------|--------------|---------------------------|---|
| Governmental activities: | | | | | |
| General Obligation Bonds: | | | | | |
| Public Improvement 1996 | 5/1/1996 | 5/16/2016 | 4.8%-6.5% | \$ 1,700,000 | \$ 135,000 |
| Refunding Bonds 2010 | 7/30/2010 | 8/1/2022 | 3.5% | 921,000 | 583,000 |
| Series 2013 Bonds | 7/24/2013 | 7/24/2023 | 1.8% | 459,000 | <u>374,000</u> |
| Total bonds payable | | | | | <u>\$ 1,092,000</u> |

General obligation bonds generally are issued as serial bonds with certain amounts of principal maturing each year. The annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending September 30, | <u>Governmental Activities</u> | |
|----------------------------------|--------------------------------|-----------------|
| | <u>Bonds</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 254,000 | 34,697 |
| 2017 | 123,000 | 23,720 |
| 2018 | 125,000 | 20,180 |
| 2019 | 129,000 | 16,570 |
| 2020 | 133,000 | 12,837 |
| 2021-2025 | <u>328,000</u> | <u>14,883</u> |
| Total | <u>\$ 1,092,000</u> | <u>122,887</u> |

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The governmental activities bonds are generally repaid from ad valorem taxes through the debt service funds. The water and sewer general obligation bonds are repaid from resources generated by the water and sewer enterprise fund.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Notes Payable

At September 30, 2015, the City's outstanding notes payable are described as follows:

| | <u>Date of Issue</u> | <u>Final Maturity Date</u> | <u>Rates</u> | <u>Original Issue</u> | <u>Balance September 30, 2015</u> |
|---|--------------------------|------------------------------------|--------------|---------------------------|---|
| Business-type activities: | | | | | |
| State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan | 10/24/1997 | 1/1/2021 | 4.50% | \$ 900,271 | \$ 324,379 |
| State of Mississippi, State Revolving Fund Loan | 4/1/1999 | 1/27/2019 | 4.50% | 807,429 | 225,131 |
| State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan | 1/5/2000 | 3/1/2023 | 3.00% | 274,823 | 125,070 |
| State of Mississippi, State Revolving Fund Loan | 5/23/2001 | 1/1/2019 | 3.00% | 520,336 | 204,367 |
| State of Mississippi, Drinking Water Improvement (SE Long Beach) Revolving Fund Loan | 1/30/2007 | 2/1/2017 | 2.00% | 500,000 | 45,655 |
| State of Mississippi, Drinking Water Improvement (Well) Revolving Fund Loan | 9/1/2007 | 1/1/2021 | 4.50% | 358,123 | 130,394 |
| State of Mississippi, Drinking Water Systems Emergency Loan Fund | 5/9/2012 | 2/10/2017 | 2.00% | 203,880 | <u>63,914</u> |
| Total notes payable | | | | | <u>\$ 1,118,910</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Principal and interest maturities will be as follows:

| Year Ending September 30, | <u>Business-Type Activities</u> | |
|---------------------------|---------------------------------|-----------------|
| | <u>Notes</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 281,297 | 37,897 |
| 2017 | 218,095 | 29,344 |
| 2018 | 207,256 | 20,543 |
| 2019 | 166,746 | 12,506 |
| 2020 | 148,395 | 6,546 |
| 2021-2025 | <u>97,121</u> | <u>2,218</u> |
| Total | <u>\$ 1,118,910</u> | <u>109,054</u> |

Capital Leases

At September 30, 2015, the City's outstanding capital leases are described as follows:

| | <u>Date of Issue</u> | <u>Final Maturity Date</u> | <u>Rates</u> | <u>Original Issue</u> | <u>Annual Installment</u> | <u>Balance September 30, 2015</u> |
|--|----------------------|----------------------------|--------------|-----------------------|---------------------------|-----------------------------------|
| Governmental activities: | | | | | | |
| Capital lease payable to bank, secured by a fire truck | 5/5/2013 | 5/7/2023 | 2.82% | \$ 376,785 | \$ 43,766 | \$ <u>309,570</u> |
| Capital lease payable to bank, secured by SCBA air packs | 7/23/2015 | 7/23/2020 | 2.35% | 114,810 | 24,360 | <u>114,810</u> |
| Total capital leases | | | | | | <u>\$ 424,380</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

| Year Ending September 30, | Governmental Activities | |
|---|-------------------------|-----------|
| | Capital leases | |
| | Principal | Interest |
| 2016 | \$ 56,933 | \$ 11,193 |
| 2017 | 58,441 | 9,685 |
| 2018 | 59,989 | 8,136 |
| 2019 | 61,579 | 6,547 |
| 2020 | 63,211 | 4,915 |
| 2021-2025 | 124,227 | 7,071 |
| Total present value of minimum lease payments | \$ 424,380 | \$ 47,547 |

As of September 30, 2015, the cost of the vehicles and equipment under capital leases for governmental activities was \$491,595 and accumulated depreciation for those assets was \$41,506. Annual amortization expense is included in depreciation expense.

Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$16,132,713. At September 30, 2015, the City's legal debt margin, after reduction for outstanding general obligation notes of \$1,092,000, was \$15,040,713.

F. Interfund Balances

Interfund balances at September 30, 2015, consisted of the following:

| | DUE TO: | | | | Total |
|--------------------------|-------------------------|--------------------------------|--------------------------|-------------------------|-------|
| | Governmental Activities | | Business-type Activities | | |
| | General Fund | Other Governmental Funds | Water and Sewer Fund | Port and Harbor Fund | |
| <u>DUE FROM:</u> | | | | | |
| Governmental activities: | | | | | |
| General fund | \$ - | 9,422 | - | - | 9,422 |
| Total | \$ - | 9,422 | - | - | 9,422 |

Interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Interfund Transfers

Interfund transfers for the year ended September 30, 2015 are as follows:

| | TRANSFERS IN: | | | | Total |
|--------------------------|--------------------------------|---------------------------------|---------------------------------|-----------------------------|--------------|
| | Governmental Activities | | Business-type Activities | | |
| | General Fund | Other Governmental Funds | Water and Sewer Fund | Port and Harbor Fund | |
| TRANSFERS OUT: | | | | | |
| Governmental activities: | | | | | |
| General fund | \$ - | 43,766 | - | 268,442 | 312,208 |
| Total | \$ - | 43,766 | - | 268,442 | 312,208 |

Transfers are used to (a) move revenues from the fund that statute or budget requires collecting to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Management Fees

The City's water and sewer fund and port and harbor fund (proprietary fund types) pay a management fee to the general fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled \$280,368 for the year ended September 30, 2015. The fees were included in "charges for services" general government program revenue in the Statement of Activities and in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. The corresponding expenditure was included in "expenses" in the water and sewer (\$250,000) and port and harbor (\$30,368) funds in the Statement of Activities and "contractual services" expenditures in the water and sewer and port and harbor funds in the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES

A. Property Tax

Property tax is levied on the assessed (appraised) value as compiled by the Harrison County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30 following a series of public hearings to receive citizen objections. Resulting taxes are due on or before February 1. State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. Accordingly, taxes for the Long Beach School District are also billed and collected by Harrison County and remitted to the City for disbursement to the School District.

Included in revenues are taxes for automobile tags, which are assessed and collected by Harrison County. Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

The City is required by law to assess and collect taxes necessary for operation of the Long Beach School District (LBSD) and for service of certain related debt. LBSD provides services to residents of inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. The School District is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over school operations or approve budgets.

For the year ended September 30, 2015, the City's 2015 tax rate was as follows:

| <u>CITY</u> | <u>MILLS</u> |
|---------------------------------|-------------------|
| General Fund | 46.48 |
| City Bonds and Interest | <u>2.50</u> |
| Total city administered fund | <u>48.98</u> |
| | |
| <u>SCHOOL DISTRICT</u> | |
| District maintenance funds | 55.67 |
| School building program | 3.00 |
| Shortfall notes | <u>2.75</u> |
| Total school administered funds | <u>61.42</u> |
| | <u>110.40</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

B. Pension Plan

Plan Description

The City of Long Beach, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the City of Long Beach, Mississippi is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Long Beach, Mississippi's contribution to PERS for the year ended September 30, 2015, 2014, and 2013 was \$698,260, \$709,220, and \$663,324 respectively, which equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$10,820,620 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the City's proportion was 0.07 percent, which did not change from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$1,022,860. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experiences | \$ 251,392 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 290,624 |
| Changes of assumptions | 932,159 | - |
| Changes in proportion and differences between the City contributions and proportionate share of contributions | 6,041 | - |
| The City contributions subsequent to the measurement date | 173,624 | - |
| Total | \$ 1,363,216 | 290,624 |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

\$173,624 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | | |
|---------------------------------|--------------|-----------|-----------------------|
| Year ended September 30, | | | |
| | 2016 | \$ | 304,192 |
| | 2017 | | 293,703 |
| | 2018 | | 142,792 |
| | 2019 | | 158,281 |
| | 2020 | | - |
| | Thereafter | | - |
| | Total | \$ | <u>898,968</u> |

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.00% |
| Salary increases | 3.75-19.00%, average, including inflation |
| Investment rate of return | 7.75%, net of pension plan investments expense, including inflation |

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

| <u>Asset class</u> | <u>Target Allocation</u> | <u>Long-term expected real rate of return</u> |
|-------------------------|--------------------------|---|
| U.S. Broad | 34.00 % | 5.20 |
| International equity | 19.00 | 5.00 |
| Emerging markets equity | 8.00 | 5.45 |
| Fixed income | 20.00 | 0.25 |
| Real assets | 10.00 | 4.00 |
| Private equity | 8.00 | 6.15 |
| Cash | 1.00 | (0.50) |
| Total | <u>100.00 %</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| The City's proportionate share of the net pension liability | \$ 14,262,568 | 10,820,620 | 7,964,446 |

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

C. Unemployment Insurance

In lieu of making payments to the Mississippi Department of Employment Security (MDES), the City makes deposits into a bank account designated for unemployment compensation of an amount equal to 2% of the first \$14,000 of covered employee wages paid in the preceding calendar year. The total funds designated were \$48,809 and exceeded the requirement of \$37,389. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

D. Commitments and Contingencies

Contract Commitments

Construction Contracts

The City has entered into various construction contracts for infrastructure improvements with an estimated remaining commitment of \$513,979. The majority of these commitments are being funded by various state and federal grants. See Note 3 D for more detailed information on these commitments.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

Service Contracts

The City contracts with private contractors for various services. The following represents a significant service commitment as of September 30, 2015:

On January 17, 2007, the City entered into a service contract with Utility Partners, LLC dba UP Group, LLC, to provide professional utility management, operations, and maintenance services for the City's Public Works operations, consisting of the following departments: Utility Billing, Water & Sewer Operations, Street and Drainage, Vehicle Maintenance, and Parks & Recreation. The contract has been renewed several times with the latest renewal being on November 19, 2013. The new agreement extended the term for four years dating through November 30, 2017, with the following base fees remaining as of September 30, 2015:

| Year Ending September 30, | Base Fee |
|----------------------------------|----------------------------|
| 2016 | \$ 1,886,502 |
| 2017 | 1,921,403 |
| 2018 | - |
| 2019 | - |
| 2020 | - |
| Total | \$ <u>3,807,905</u> |

Payment terms are 1/12th of the base fee due by the 15th of each month. Payments under the service contract totaled \$1,844,799 for the year ended September 30, 2015, and are included in water and sewer operating expenses, contractual services in the statement of revenues, expenses, and changes in fund net position proprietary funds.

Grants and Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

Lease Commitments

Operating Leases

The City is committed under various operating leases at September 30, 2015. Lease expenditures for operating leases for the year ended September 30, 2015 amounted to approximately \$20,724.

Non-cancelable operating leases at September 30, 2015 are as follows:

- In September 2013, the City entered into a lease agreement for a postal meter located in the mail room of City Hall. The lease agreement is for 60 months with payments of \$408 per month.
- In December 2013, the City entered into a lease agreement for a copier located at City Hall. The lease agreement is for 36 months with payments of \$249 per month.
- In December 2013, the City entered into a lease agreement for a copier at City Court office. The lease agreement is for 36 months with payments of \$244 per month.
- In December 2013, the City entered into a lease agreement for a copier at Water Billing Department. The lease agreement is for 36 months with payments of \$114 per month.
- In May 2014, the City entered into a lease agreement for a copier located at the Police Department. The lease agreement is for 48 months with payments of \$97 per month.

The future noncancelable lease obligations of these leases at September 30, 2015 is as follows:

| Year Ending September 30, | | |
|----------------------------------|--------------|------------------|
| | 2016 | \$ 13,344 |
| | 2017 | 7,883 |
| | 2018 | 5,674 |
| | 2019 | - |
| | 2020 | - |
| | Total | <u>\$ 26,901</u> |

Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

E. Related Party Transactions

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

F. Risk Management

The City is covered for significant losses through commercial insurance carriers except for the following self-insurance funds as noted below, which are covered through self-insurance risk pools.

Self-Insurance - Workers Compensation Fund

The City is a member of the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to \$1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

Self-Insurance - Liability Fund

The City is a member of the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

Federal Grants

In the normal course of operations and as a result of the destruction from Hurricane Katrina in 2005, Hurricane Gustav in 2008, and Hurricane Isaac in 2012, the City has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

G. Joint Venture

The City is a member of the Harrison County Utility Authority (Authority), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the Authority. Through a fifty-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City and the other members.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2015, a complete copy of which is on file at the administrative offices of the Authority which are located at 10271 Express Drive, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

STATEMENT OF NET POSITION

ASSETS

| | |
|-------------------------------|-----------------------|
| Current assets | \$ 11,079,144 |
| Restricted investments | 23,124,665 |
| Capital assets, net | 277,023,656 |
| Deferred outflow of resources | <u>23,533,760</u> |
| Total assets | <u>\$ 334,761,225</u> |

LIABILITIES

| | |
|------------------------|--------------------|
| Current liabilities | \$ 20,029,213 |
| Noncurrent liabilities | <u>127,419,668</u> |
| Total liabilities | <u>147,448,881</u> |

NET POSITION

| | |
|------------------------------------|-----------------------|
| Total liabilities and net position | <u>187,312,344</u> |
| | <u>\$ 334,761,225</u> |

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

| | |
|----------------------------------|-----------------------|
| Operating revenues | \$ 21,176,795 |
| Operating expenses | (21,627,071) |
| Depreciation expense | (9,681,485) |
| Non-operating revenue (expenses) | <u>8,673,581</u> |
| Change in net position | <u>\$ (1,458,180)</u> |

H. Prior Period Adjustments

A prior period adjustment of \$9,423,428 was made to correct September 30, 2014 net position related to the understatement of net pension liability.

| | |
|--|----------------------|
| Net position, September 30, 2014 as originally presented | \$ 88,887,932 |
| To correct overstatement of net position | <u>(9,423,428)</u> |
| As restated | <u>\$ 79,464,504</u> |

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4. OTHER NOTES (continued)

I. Subsequent Events

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 23, 2016, (the date the financial statements were available to be issued) and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2015

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts (Budgetary Basis) | Variance with Final Budget Over (Under) |
|--------------------------------------|--|---------------------------------------|---|--|
| Resources (inflows): | | | | |
| Taxes | \$ 6,714,589 | 6,714,589 | 5,372,763 | (1,341,826) |
| Licenses and permits | 717,500 | 717,500 | 797,190 | 79,690 |
| Grants | 836,516 | 1,193,117 | 1,128,541 | (64,576) |
| Inter-governmental revenues | 397,783 | 397,783 | 387,529 | (10,254) |
| Charges for services | 434,152 | 434,152 | 349,944 | (84,208) |
| Fines and forfeitures | 1,023,850 | 1,023,850 | 949,419 | (74,431) |
| Interest | 14,470 | 14,470 | 9,802 | (4,668) |
| Miscellaneous | <u>1,384,517</u> | <u>1,388,868</u> | <u>44,266</u> | <u>(1,344,602)</u> |
| Amounts available for appropriations | <u>\$ 11,523,377</u> | <u>11,884,329</u> | <u>9,039,454</u> | <u>(2,844,875)</u> |

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2015

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget Over (Under)</u> |
|---|--|-----------------------------------|---|--|
| Charges to appropriations (outflows): | | | | |
| <i>General Government</i> | | | | |
| Personnel services | \$ 447,305 | 447,305 | 418,626 | 28,679 |
| Supplies | 10,825 | 10,825 | 9,084 | 1,741 |
| Other charges | 366,139 | 366,139 | 344,315 | 21,824 |
| <i>General Administration</i> | | | | |
| Personnel services | 227,501 | 227,501 | 219,004 | 8,497 |
| Supplies | 22,475 | 35,475 | 34,928 | 547 |
| Other charges | 1,131,250 | 1,177,597 | 1,148,336 | 29,261 |
| Capital outlay | 3,865 | 3,865 | 1,081 | 2,784 |
| <i>Police</i> | | | | |
| Personnel services | 2,703,130 | 2,703,130 | 2,493,080 | 210,050 |
| Supplies | 369,680 | 371,931 | 298,954 | 72,977 |
| Other charges | 233,700 | 233,700 | 212,109 | 21,591 |
| Capital outlay | 100,000 | 108,950 | 97,014 | 11,936 |
| <i>Fire</i> | | | | |
| Personnel services | 2,052,924 | 2,052,924 | 2,012,266 | 40,658 |
| Supplies | 107,796 | 109,596 | 89,623 | 19,973 |
| Other charges | 88,430 | 88,430 | 51,745 | 36,685 |
| Capital outlay | 167,652 | 203,202 | 180,518 | 22,684 |
| <i>Planning and Zoning</i> | | | | |
| Personnel services | 134,529 | 134,529 | 110,761 | 23,768 |
| Supplies | 7,100 | 7,100 | 6,587 | 513 |
| Other charges | 31,000 | 31,000 | 19,237 | 11,763 |
| Capital outlay | 3,200 | 3,200 | 2,996 | 204 |
| <i>Public works</i> | | | | |
| Supplies | 169,725 | 173,422 | 130,716 | 42,706 |
| Other charges | 1,127,411 | 1,266,034 | 652,359 | 613,675 |
| Capital outlay | 5,000 | 5,965 | 5,965 | - |
| Capital projects | 705,720 | 705,720 | 1,443 | 704,277 |
| <i>Culture & Recreation</i> | | | | |
| Personnel services | 510,853 | 508,853 | 495,551 | 13,302 |
| Supplies | 132,719 | 141,018 | 128,410 | 12,608 |
| Other charges | 87,221 | 91,721 | 85,346 | 6,375 |
| <i>Grants & Economic Development</i> | | | | |
| Other charges | - | 191,404 | 94,352 | 97,052 |
| Capital projects | - | 1,114 | 1,114 | - |
| Total charges to appropriations | <u>10,945,150</u> | <u>11,401,650</u> | <u>9,345,520</u> | <u>2,056,130</u> |
| Excess (deficiency) of revenues over expenditures | (10,945,150) | (2,652,616) | (306,066) | 2,056,130 |
| Other Financing Sources (Uses): | | | | |
| Other financing sources | 175,234 | 184,184 | 191,235 | (7,051) |
| Transfers (out) | - | - | (312,208) | 312,208 |
| Total other financing sources (uses) | <u>175,234</u> | <u>184,184</u> | <u>(120,973)</u> | <u>305,157</u> |
| Net change in fund balance | <u>\$ (10,769,916)</u> | <u>184,184</u> | (427,039) | <u>611,223</u> |
| Fund balance - beginning | | | <u>5,862,436</u> | |
| Fund balance - end of year | | | <u>\$ 5,435,397</u> | |

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEUDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2015

Differences between budgetary and GAAP fund balance:

| | |
|--|---------------------|
| Fund Balance, end of year (Budgetary Basis) | \$ 5,435,397 |
| Accruals for expenses incurred but not paid | 1,069,736 |
| Accruals for revenues recognized but not year received | <u>(571,876)</u> |
| Fund Balance, end of year (GAAP) | <u>\$ 5,933,257</u> |

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 2 Years Shown)**

| | <u>2015</u> | <u>2014</u> |
|---|---------------|-------------|
| City's proportion of the net pension liability (asset) | 0.07 % | 0.07 % |
| City's proportionate share of the net pension liability (asset) | \$ 10,820,620 | 8,496,718 |
| City's covered-employee payroll | \$ 4,433,393 | 4,502,978 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 244.07 % | 188.69 % |
| Plan fiduciary net position as a percentage of the total pension liability | 67.21 % | 61.02 % |

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the prior year to the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 2 Years Shown)**

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Contractually required contribution | \$ 698,260 | 709,220 |
| Contributions in relation to the contractually required contribution | <u>(698,260)</u> | <u>(709,220)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> |
| | | |
| City of Long Beach's covered-employee payroll | \$ 4,433,393 | 4,502,978 |
| | | |
| Contributions as a percentage of covered-employee payroll | 15.75 % | 15.75 % |

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the prior year to the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2015

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, during September, a budget is prepared by the City's management and submitted to the Board of Aldermen for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund of the City. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

B. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2015.

NOTE 2. PENSION SCHEDULES

A. Changes of Benefit Terms

None.

B. Changes of Assumptions

- Inflation decreased from 3.50% to 3.00%
- Salary changed from 4.25 - 19.50%, average, including inflation to 3.75 - 19.00%
- Investment rate of return decreased from 8.00%, net of pension plan investment expense, including inflation to 7.75%

OTHER SUPPLEMENTARY INFORMATION

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For the Year Ended September 30, 2015

| Name | Position | Amount | Expires |
|----------------------|-----------------|------------|-----------|
| William Skellie, Jr. | Mayor | \$ 100,000 | 6/1/2016 |
| Various/each | Aldermen | 100,000 | 7/16/2016 |
| Wayne McDowell | Chief of Police | 50,000 | 7/1/2016 |
| Rebecca E. Schruff | City Clerk | 50,000 | 7/1/2016 |
| Kini Gonsoulin | Comptroller | 50,000 | 8/16/2016 |
| Various/each | Police | 25,000 | 7/1/2016 |
| Various/each | Deputy Clerks | 50,000 | 8/16/2016 |

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Catalog of Federal Domestic Assistance (CFDA) Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|---|---|-----------------------------|
| <u>U.S. Department of Interior</u> | | | |
| <i>Passed through State of Mississippi Department of Marine Resources</i> | | | |
| Sportfishing and Boating Safety Act | 15.622 | | \$ 121,113 |
| Coastal Impact Assistance Program | 15.668* | MS.R.763 | <u>942,083</u> |
| Total U.S. Department of Interior | | | <u>1,063,196</u> |
| <u>U.S. Department of Justice</u> | | | |
| <i>Direct Program</i> | | | |
| Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 16.590 | 13LB2031 | 4,080 |
| | 16.590 | 13LB2032 | <u>15,030</u> |
| Total U.S. Department of Justice | | | <u>19,110</u> |
| <u>U.S. Department of Transportation</u> | | | |
| <i>Direct Program</i> | | | |
| Highway Safety Cluster - Occupant Protection Incentive Grants | 20.602* | 15-OP-203-1 | 15,181 |
| Local Law Enforcement Block Grant | 20.607* | 15-ST-203-1 | <u>43,153</u> |
| Total U.S. Department of Justice | | | <u>58,334</u> |
| <u>U.S Department of Homeland Security</u> | | | |
| <i>Passed through State of Mississippi Emergency Management Agency</i> | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 4081-DR-MS | 249,932 |
| Alcohol Open Container Requirements | 97.036 | 1604-DR-MS | <u>1,114</u> |
| Total U.S Department of Homeland Security | | | <u>251,046</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,391,686</u> |

* Major Program

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. Some pass-through entities did not assign identifying numbers to the City.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Long Beach, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated June 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Long Beach, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Long Beach, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Long Beach, Mississippi's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2015-001 that we consider to be significant deficiencies.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Long Beach, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Long Beach, Mississippi's Response to Findings

City of Long Beach, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Long Beach, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wolfe, McDuff + Oppie

Pascagoula, Mississippi
June 23, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Long Beach, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Long Beach, Mississippi's major federal programs for the year ended September 30, 2015. City of Long Beach, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Long Beach, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Long Beach, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Long Beach, Mississippi's compliance.

Basis for Qualified Opinion on the Coastal Impact Assistance Program

As described in the accompanying schedule of findings and questioned costs, City of Long Beach, Mississippi did not comply with requirements regarding CFDA 15.668 Coastal Impact Assistance Program as described in finding numbers 2015-1 for cost allocations. Compliance with such requirements is necessary, in our opinion, for City of Long Beach, Mississippi to comply with the requirements applicable to that program.

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required
by OMB Circular A-133
Page 2**

Qualified Opinion on the Coastal Impact Assistance Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Long Beach, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Coastal Impact Assistance Program for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, City of Long Beach, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

City of Long Beach, Mississippi's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Long Beach, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of City of Long Beach, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Long Beach, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Long Beach, Mississippi's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, that we consider to be significant deficiencies.

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required
by OMB Circular A-133
Page 3**

City of Long Beach, Mississippi's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Long Beach, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wolfe, McDuff + Oppa

Pascagoula, Mississippi
June 23, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH MISSISSIPPI STATE LAWS AND REGULATIONS**

To the Honorable Mayor and Members of the Board of Aldermen
City of Long Beach, Mississippi

We have audited the accompanying financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2015, and have issued our report dated June 23, 2016. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Wolfe, McDuff & Oppie

Pascagoula, Mississippi
June 23, 2016

Membership in:

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|--|-----|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |

5. Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs, except for the Coastal Impact Assistance Program which was qualified

| | |
|---|-----|
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
|---|-----|

7. Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number</u> |
|---|--------------------|
| Coastal Impact Assistance Program | 15.668 |
| Occupant Protection Incentives Grant | 20.602 |
| Alcohol Open Container Requirements | 20.607 |

| | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
|---|-----------|

| | |
|---|----|
| 9. Auditee qualified as low-risk auditee? | No |
|---|----|

Section II: Financial Statement Findings

The results of our tests disclosed findings as noted in Section III of the Schedule of Findings and Questioned Costs related to the financial statements that are required to be reported under *Government Auditing Standards*.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Significant Deficiency

Finding 2015-001:

Criteria:

The compliance for cost allocations, as set forth in the basic guidelines part C, 1(b) of the Office of Management and Budget Circular A-87 states that costs should be allocable to the Federal award. As well, Principle 11.05 of the Standards for Internal Control in the Federal Government, published by the U.S. Government Accountability Office states that management should evaluate information processing objectives to meet the defined information requirements of completeness, accuracy, and validity.

Condition:

Expenses were incorrectly classified to the expense account for the CFDA # 15.668 - Coastal Impact Assistance Program that should have been classified to the expense account for the CFDA # 15.622 - Sportfishing and Boating Safety Act.

Context:

Consequences of finding resulted in improper cost allocations to Coastal Impact Assistance Program when certain expenditures should have been allocated to Sportfishing and Boating Safety Act grant. Expenses were incorrectly classified to the expense account for the Coastal Impact Assistance Program that should have been classified to the expense account for the Sportfishing and Boating Safety Act grant. Auditor believes the sample to be valid as all expenditures were tested.

Effect:

Overstatement of expenditures in the expense account related to the Coastal Impact Assistance Program and understatement of expenditures in the expense account related to the Sportfishing and Boating Safety Act grant.

Cause:

Auditor identified an inconsistent or incorrect implementation of internal control to ensure proper recording procedures.

Recommendation:

Procedures should be implemented to ensure classification of expenses related to grant expenditures to the proper expense accounts.

Views of Responsible Officials:

The City agrees with this finding. The City's Corrective Action Plan is presented on page 90.

City of Long Beach

BOARD OF ALDERMEN

Leonard G. Carrubba, Sr. - At-Large
Gary J. Ponthieux - Ward 1
Bernie Parker - Ward 2
Kelly Griffin - Ward 3
Ronnie Hammons, Jr. - Ward 4
Mark E. Lishen - Ward 5
Alan Young - Ward 6



WILLIAM SKELLIE, JR.
MAYOR

CITY CLERK
TAX COLLECTOR
Rebecca E. Schruff

CITY ATTORNEY
James C. Simpson, Jr.

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the City of Long Beach, Mississippi has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2015:

Finding

Corrective Action Plan Details

2015-001

a. Name of Contact Person Responsible for Corrective Action

Name: Kini Gonsoulin

Phone Number: 228-863-1556

b. Corrective Action Planned

The Harbor Master was instructed to make sure he codes all invoices correctly when they are approved for payment, to include breaking them down if they have multiple funding sources. The Accounts Payable Clerk was also instructed to return any invoices that have not been coded.

c. Anticipated Completion Date

This will start immediately and will be foregoing in the future.